

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Parchment	County Kalamazoo
Audit Date 6/30/2004	Opinion Date 8/27/2004	Date Accountant Report Submitted to State: 12/7/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

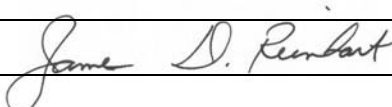
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC			
Street Address 710 East Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

CITY OF PARCHMENT
Parchment, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2004

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CITY OF PARCHMENT
List of Elected and Appointed Officials
June 30, 2004

CITY COMMISSION

Daniel P. Degraw	Mayor
Donald Banner	Vice Mayor
Ben Tanis	Commissioner
Terry Hageman	Commissioner
Cecilia Mccue	Commissioner
Robert Heasley	Commissioner
Brian Sell	Commissioner

ADMINISTRATION

Ronald Fleckenstein	City Manager
Curtis E. Flowers	City Clerk
John L. Frakes	City Treasurer / Assessor
Thomas Leroy	Public Works
William K. Bongers	Police Chief
Timothy S. Bourgeois	Fire Chief



710 E. Milham
Kalamazoo, MI 49002
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Independent Auditors' Report

To the Honorable Mayor
and Members of the City Commission
City of Parchment
Parchment, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Parchment as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Parchment as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management’s discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Parchment’s basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

August 27, 2004

City of Parchment
Management's Discussion and Analysis
June 30, 2004

This section of the City of Parchment's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the City's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No.34

The City of Parchment is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the City of Parchment is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the City of Parchment to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The City of Parchment will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

The City's Total Net Assets are \$5,482,877.

During the year, the City's expenses were \$328,336 less than the \$1,374,128 generated in taxes, other revenues and other financing sources for governmental programs.

The City's General Fund fund balance at yearend was \$727,223, which represents about 6 ½ months of budgeted expenditures in the 2004-05 fiscal year.

City of Parchment
Management's Discussion and Analysis
June 30, 2004

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities that the government operates like businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

City of Parchment
Management's Discussion and Analysis
June 30, 2004

Financial Analysis of the City as a Whole

Changes in Net assets

The City's combined net assets are \$ 5,482,877. In comparison, last year net assets were \$ 5,201,892, an increase of \$280,985. Governmental activities have total net assets of \$3,501,362.

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Current assets	\$ 3,611,986	\$ 2,002,646	\$ 5,614,632
Current and long term liabilities	<u>110,624</u>	<u>21,131</u>	<u>131,755</u>
Total net assets	<u>\$ 3,501,362</u>	<u>\$ 1,981,515</u>	<u>\$ 5,482,877</u>

Governmental Activities

The City's Administration took actions this year to reduce expenses. The City does not have many options to increase revenue. The City's total governmental activity revenues excluding other financing sources were \$1,374,128 this year. Property taxes were \$578,014 or 42% of the total revenues. Property tax increases are controlled by various State laws that favor newer, undeveloped cities while severely restricting developed cities (like Parchment) to amounts at or below the rate of inflation. State revenue sharing made up \$503,278 or 37% of the total revenue but the distribution of this revenue is controlled by State laws. The remaining 21% of governmental fund revenues are comprised mostly of Charges for Services and Interest revenue.

City of Parchment
Management's Discussion and Analysis
June 30, 2004

Business-Type Activities

Operating revenues of the City's business-type activities increased slightly from the prior year of \$397,141 to the current year total of \$428,390. Operating expenses increased by \$33,914 to \$489,696. The major factors contributing to the \$33,914 increase was a \$26,066 increase in salaries, wages, and fringe benefits, a \$20,614 increase in repair and maintenance costs

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue			
Charges for services	\$ 136,461	\$ 428,390	\$ 564,851
General revenue:			
Property taxes	578,014	-	578,014
State-shared revenue	503,278	-	503,278
Interest	39,420	13,734	53,154
Franchise fees and other revenue	116,955	221	117,176
Total revenue	<u>1,374,128</u>	<u>442,345</u>	<u>1,816,473</u>
Program expenses			
General government	465,275	-	465,275
Public safety	393,007	-	393,007
Public works	135,926	-	135,926
Recreation and culture	47,178	1,762	48,940
Water and sewer	-	487,934	487,934
Other	4,406	-	4,406
Total program expenses	<u>1,045,792</u>	<u>489,696</u>	<u>1,535,488</u>
Change in net assets	<u>\$ 328,336</u>	<u>\$ (47,351)</u>	<u>\$ 280,985</u>

City of Parchment
Management's Discussion and Analysis
June 30, 2004

The City's Funds

The fund financial statements provide detailed information about the most significant funds, not the City of Parchment as a whole. The City Commission creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as the State of Michigan Act 51, Major and Local Street funds. The City of Parchment governmental major funds include the General Fund and the Major and Local Streets Funds.

- **General Fund**

Functions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues, from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decreased fund balance of \$168,751 over 2003.

- **Major and Local Street Funds**

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the local street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component. The city uses these for improvements to the city street system, along with contributions from General Fund. Major Streets had an increase in fund balance of \$19,656 and Local Streets had an increase of \$23,388.

General Fund Budgetary Highlights

Over the course of the year, the City of Parchment amended the budget to take into account unanticipated events during the year. There were three budget amendments during fiscal year 2003-2004. The legislative budget was increased by \$138,573 to account for grant related expenditures for the Brownfield redevelopment grant. These expenditures will be offset by grant revenues. The fire budget was increased by \$86,655 to account for the down payment on the new fire truck. The payment had been projected to occur in July 2004. The public works budget was increased by \$10,020 to reflect higher than anticipated costs to repair sidewalks in the City.

City of Parchment
Management's Discussion and Analysis
June 30, 2004

Capital Assets

At the end of 2004, the City had invested \$3,586,136 in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, GASB has allowed cities to comply with this portion of statement 34 over a number of years. This year's major capital improvements included the following:

- Down payment on a new fire truck and related equipment, \$141,951.
- New copier, Network server and Accounts Payable computer, \$24,849.
- New police cruiser and video camera, \$29,560.
- New Sidewalks, \$20,868.
- Street Repaving, \$46,457.
- Downtown Clock Project, \$62,825.
- River walk Extension, \$117,459.
- Water Main Extension, \$70,572.
- Dump truck & Mower, \$86,872.
- Water plant upgrades, \$9,293

Long-term Debt

At year-end the City had \$1,185,000 in bonds and notes outstanding for the Downtown Development Authority.

Limitations on Debt

The State limits the amount of general obligation debt the City can issue to 7% of the assessed value of all taxable property within the City's corporate limits. Our legal debt limit is \$3,199,900. The City has an available unused portion of \$2,014,900.

City of Parchment
Management's Discussion and Analysis
June 30, 2004

Bond Ratings

Standard and Poor's Investors Service, has given the City of Parchment a BBB bond rating, recognizing the affect of the Crown Paper Company bankruptcy and closing.

Economic Factors and Next Year's Budgets and Rates

The inflation rate for use in the 2004 capped value formula, and the 2004 "Headlee" millage reduction fraction formula was 2.3%. The capped value and the Headlee millage reduction are key elements in determining property tax revenues.

The City has again produced a timely budget for fiscal year 2005. Total appropriations in the General fund 2005 budget are \$1,311,079 a decrease of \$203,864 over the final 2004 budget of \$1,514,943.

Contacting the City's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Parchment, 650 S Riverview Drive, Parchment, MI 49004.

City of Parchment, Michigan
Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 134,096	\$ 51,888	\$ 185,984	\$ 19,750
Investments	1,125,411	436,244	1,561,655	166,326
Inventory	738	11,011	11,749	-
Receivables (net)	116,282	116,053	232,335	38,859
Internal balances	1,820	(1,820)	-	-
Due from state	22,773	-	22,773	-
Capital assets (net)	2,210,866	1,389,270	3,600,136	6,514
Total assets	<u>3,611,986</u>	<u>2,002,646</u>	<u>5,614,632</u>	<u>231,449</u>
Liabilities				
Accounts payable	16,040	19,993	36,033	55,108
Accrued and other liabilities	30,346	1,138	31,484	16,068
Due to others	3,383	-	3,383	-
Noncurrent liabilities				
Due within one year	3,499	-	3,499	140,000
Due in more than one year	57,356	-	57,356	1,045,000
Total liabilities	<u>110,624</u>	<u>21,131</u>	<u>131,755</u>	<u>1,256,176</u>
Net Assets				
Invested in capital assets, net of related debt	2,150,011	1,389,270	3,539,281	(1,178,486)
Restricted for:				
Fire truck	38,345	-	38,345	-
Unrestricted	1,313,006	592,245	1,905,251	153,760
Total net assets	<u>\$ 3,501,362</u>	<u>\$ 1,981,515</u>	<u>\$ 5,482,877</u>	<u>\$ (1,024,726)</u>

See Accompanying Notes to Financial Statements

City of Parchment, Michigan
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Governmental Activities	Business-Type Activities	Totals	Component Unit
Primary government						
Governmental activities						
General government	\$ 465,275	\$ 49,553	\$ (415,722)	\$ -	\$ (415,722)	\$ -
Public safety	393,007	242	(392,765)	-	(392,765)	-
Public works	135,926	16,962	(118,964)	-	(118,964)	-
Health and welfare	-	69,704	69,704	-	69,704	-
Recreation and culture	47,178	-	(47,178)	-	(47,178)	-
Other	4,406	-	(4,406)	-	(4,406)	-
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	<u>1,045,792</u>	<u>136,461</u>	<u>(909,331)</u>	<u>-</u>	<u>(909,331)</u>	<u>-</u>
Business-type activities						
Sewer	212,707	180,467	-	(32,240)	(32,240)	-
Water	275,227	247,923	-	(27,304)	(27,304)	-
Recreation and culture	1,762	-	-	(1,762)	(1,762)	-
Total business-type activities	<u>489,696</u>	<u>428,390</u>	<u>-</u>	<u>(61,306)</u>	<u>(61,306)</u>	<u>-</u>
Total primary government	<u>\$ 1,535,488</u>	<u>\$ 564,851</u>	<u>(909,331)</u>	<u>(61,306)</u>	<u>(970,637)</u>	<u>-</u>
Component unit						
Downtown Development Authority	<u>\$ 300,284</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,284)</u>
General revenues						
Property taxes, levied for general purposes			578,014	-	578,014	343,345
State shared revenue			503,278	-	503,278	-
Unrestricted investment earnings			39,420	13,734	53,154	3,342
Franchise fees			13,342	-	13,342	-
Miscellaneous			103,613	221	103,834	18,815
Total general revenues and transfers			<u>1,237,667</u>	<u>13,955</u>	<u>1,251,622</u>	<u>365,502</u>
Change in net assets			328,336	(47,351)	280,985	65,218
Net assets - beginning			<u>3,173,026</u>	<u>2,028,866</u>	<u>5,201,892</u>	<u>(1,089,944)</u>
Net assets - ending			<u>\$ 3,501,362</u>	<u>\$ 1,981,515</u>	<u>\$ 5,482,877</u>	<u>\$ (1,024,726)</u>

See Accompanying Notes to Financial Statements

City of Parchment, Michigan
Balance Sheet - Governmental Funds
June 30, 2004

	General	Special Revenue Funds Major Street	Local Street	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 76,654	\$ 20,832	\$ 5,811	\$ 103,297
Investments	642,252	175,218	48,953	866,423
Receivables				
Trade - (net of allowance of -0-)	4,718	-	-	4,718
Taxes	27,249	-	-	27,249
Trash and recycling	16,656	-	-	16,656
State shared revenue	65,656	-	-	65,656
Due from other funds	-	-	21,473	21,473
Due from state	-	16,269	6,504	22,773
Total assets	<u>\$ 833,185</u>	<u>\$ 212,319</u>	<u>\$ 82,741</u>	<u>\$ 1,128,245</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 13,806	\$ 681	\$ -	\$ 14,487
Due to other funds	21,473	-	-	21,473
Accrued liabilities	7,454	-	27	7,481
Accrued vacation	20,715	-	-	20,715
Accrued fringes	1,703	57	59	1,819
Due to others	3,383	-	-	3,383
Deferred revenue - state shared revenue	37,428	-	-	37,428
Total liabilities	<u>105,962</u>	<u>738</u>	<u>86</u>	<u>106,786</u>
Fund balance				
Reserved for fire truck	38,345	-	-	38,345
Designated for site development	173,306	-	-	173,306
Designated for fire camera	12,931	-	-	12,931
Designated for disaster	500	-	-	500
Unreserved, undesignated	502,141	211,581	82,655	796,377
Total fund balance	<u>727,223</u>	<u>211,581</u>	<u>82,655</u>	<u>1,021,459</u>
Total liabilities and fund balance	<u>\$ 833,185</u>	<u>\$ 212,319</u>	<u>\$ 82,741</u>	<u>\$ 1,128,245</u>

See Accompanying Notes To Financial Statements

City of Parchment, Michigan
Reconciliation of the Statement of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds			\$ 1,021,459
Total net assets reported for governmental activities in the statement of net assets is different because:			
Deferred state shared revenue			37,428
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,076,403
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.			
Balances as of June 30, 2004 are as follows:			
Compensated absences payable	\$	(46,859)	
Lease payable		<u>(13,996)</u>	(60,855)
Internal service funds are used by management to charge the cost of equipment to individual funds. Certain assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			<u>426,927</u>
Net assets of governmental activities			\$ <u>3,501,362</u>

City of Parchment, Michigan
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2004

	General	Special Revenue Funds		Total
		Major Street	Local Street	Governmental Funds
Revenues				
Taxes	\$ 602,476	\$ -	\$ -	\$ 602,476
Licenses and permits	103,232	-	-	103,232
State revenues	375,531	95,820	38,270	509,621
Charges for services	7,687	-	-	7,687
Fines and forfeits	16,961	-	-	16,961
Interest	27,508	4,039	589	32,136
Other revenues	84,121	-	-	84,121
Total revenues	<u>1,217,516</u>	<u>99,859</u>	<u>38,859</u>	<u>1,356,234</u>
Expenditures				
Current				
General government	463,552	-	-	463,552
Public safety	537,823	-	-	537,823
Public works	255,510	80,203	36,944	372,657
Recreation and cultural	107,909	-	-	107,909
Total expenditures	<u>1,364,794</u>	<u>80,203</u>	<u>36,944</u>	<u>1,481,941</u>
Excess (deficiency) of revenues over expenditures	(147,278)	19,656	1,915	(125,707)
Other financing sources (uses)				
Operating transfers in	-	-	21,473	21,473
Operating transfers (out)	(21,473)	-	-	(21,473)
Total other financing sources and uses	<u>(21,473)</u>	<u>-</u>	<u>21,473</u>	<u>-</u>
Net change in fund balance	<u>(168,751)</u>	<u>19,656</u>	<u>23,388</u>	<u>(125,707)</u>
Fund balance-beginning of year as previously reported	882,929	190,225	58,851	1,132,005
Prior period adjustment-to record cash account	13,045	1,700	416	15,161
Fund balance-beginning of year as restated	<u>895,974</u>	<u>191,925</u>	<u>59,267</u>	<u>1,147,166</u>
Fund balance - end of year	<u>\$ 727,223</u>	<u>\$ 211,581</u>	<u>\$ 82,655</u>	<u>\$ 1,021,459</u>

See Accompanying Notes To Financial Statements

City of Parchment, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

		Primary Government
Net change in fund balances - total governmental funds	\$	(125,707)
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	\$ (57,786)	
Capital outlay	<u>500,545</u>	442,759
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
State shared revenue		(6,345)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable		(4,405)
Internal service funds are used by management to charge the cost of equipment to individual funds. Certain net revenue (expense) of internal service funds are included in governmental activities in the statement of activities.		
		<u>22,034</u>
Change in net assets of governmental activities	\$	<u><u>328,336</u></u>

City of Parchment, Michigan
Statement of Net Assets - Proprietary Funds
June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Assets				
Current assets				
Cash and cash equivalents	\$ 13,093	\$ 38,795	\$ 51,888	\$ 30,799
Investments	110,000	326,244	436,244	258,989
Inventory	-	11,011	11,011	738
Accounts receivable (net of allowance of -0-)	46,536	62,838	109,374	-
Interest receivable	4,155	2,524	6,679	2,003
Total current assets	<u>173,784</u>	<u>441,412</u>	<u>615,196</u>	<u>292,529</u>
Noncurrent assets				
Capital assets	667,917	721,353	1,389,270	134,462
Total noncurrent assets	<u>667,917</u>	<u>721,353</u>	<u>1,389,270</u>	<u>134,462</u>
Total assets	<u>841,701</u>	<u>1,162,765</u>	<u>2,004,466</u>	<u>426,991</u>
Liabilities				
Current liabilities				
Accounts payable	12,949	7,044	19,993	1,554
Accrued and other liabilities	365	773	1,138	331
Total current liabilities	<u>13,314</u>	<u>7,817</u>	<u>21,131</u>	<u>1,885</u>
Net Assets				
Invested in capital assets, net of related debt	667,917	721,353	1,389,270	134,462
Unrestricted				
Other unrestricted	160,470	433,595	594,065	290,645
Total net assets	<u>\$ 828,387</u>	<u>\$ 1,154,948</u>	<u>1,983,335</u>	<u>\$ 425,107</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities			(1,820)	
Net assets of business-type activities			<u>\$ 1,981,515</u>	

See Accompanying Notes to Financial Statements

City of Parchment, Michigan
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Service Fund</u>
Operating revenues				
Charges for service	\$ 181,162	\$ -	\$ 181,162	\$ -
Water sales and installation	-	239,721	239,721	-
Penalties	(695)	1,362	667	-
Miscellaneous	-	1,000	1,000	-
Hydrant rental	-	5,840	5,840	-
Equipment rental	-	-	-	66,820
Total operating revenues	<u>180,467</u>	<u>247,923</u>	<u>428,390</u>	<u>66,820</u>
Operating expenses				
Salaries and wages	30,961	62,820	93,781	23,307
Social security	1,904	3,880	5,784	1,441
Hospital and life insurance	6,820	25,962	32,782	6,095
Pension	522	1,375	1,897	493
Workers compensation	611	1,388	1,999	899
Medicare	445	907	1,352	337
Safety supplies	-	41	41	-
Operating supplies	-	543	543	-
Postage	800	900	1,700	-
Chemicals	-	7,033	7,033	-
Gasoline and oil	-	372	372	5,072
Repair and maintenance - supplies	655	11,399	12,054	5,459
Professional/contractual services	158	7,883	8,041	-
Sewer treatment charges	90,530	-	90,530	-
Uniform rental	-	375	375	-
Membership and dues	-	264	264	-
Communications	593	2,528	3,121	-
Computer services	445	1,445	1,890	-
Institutes and training	-	50	50	-
Insurance and bonds	3,400	3,400	6,800	7,427
Utilities	672	33,598	34,270	-

See Accompanying Notes to Financial Statements

City of Parchment, Michigan
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
Repair and maintenance - contractors	\$ 21,278	\$ 29,085	\$ 50,363	\$ 4,591
Repairs and maintenance - vehicles	-	1,846	1,846	-
Rentals	251	686	937	-
Administrative overhead	30,000	30,000	60,000	1,500
Depreciation	22,645	47,406	70,051	14,223
Total operating expenses	<u>212,690</u>	<u>275,186</u>	<u>487,876</u>	<u>70,844</u>
Operating loss	<u>(32,223)</u>	<u>(27,263)</u>	<u>(59,486)</u>	<u>(4,024)</u>
Non-operating revenues (expenses)				
Interest on investments	3,895	9,839	13,734	7,283
Miscellaneous	221	-	221	16,955
Total non-operating revenues	<u>4,116</u>	<u>9,839</u>	<u>13,955</u>	<u>24,238</u>
Change in net assets	<u>(28,107)</u>	<u>(17,424)</u>	<u>(45,531)</u>	<u>20,214</u>
Net assets - beginning of year as previously reported	855,210	1,168,624		402,290
Prior period adjustment - to record cash account	<u>1,284</u>	<u>3,748</u>		<u>2,603</u>
Net assets - beginning of year as restated	<u>856,494</u>	<u>1,172,372</u>		<u>404,893</u>
Net assets - end of year	<u>\$ 828,387</u>	<u>\$ 1,154,948</u>		<u>\$ 425,107</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			<u>(1,820)</u>	
			<u>\$ (47,351)</u>	

See Accompanying Notes to Financial Statements

City of Parchment, Michigan
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Service Fund</u>
Cash flows from operating activities				
Receipts from customers	\$ 198,709	\$ 262,118	\$ 460,827	\$ -
Payments to suppliers	(127,427)	(186,708)	(314,135)	(22,138)
Payments to employees	(40,898)	(95,842)	(136,740)	(32,370)
Internal activity - payments to other funds	(30,285)	(24,175)	(54,460)	65,320
Other receipts (payments)	(33,559)	(31,093)	(64,652)	(1,742)
Net cash provided (used) by operating activities	(33,460)	(75,700)	(109,160)	9,070
Cash flows from capital and related financing activities				
Other	221	-	221	-
Proceeds from sale of equipment	-	-	-	12,984
Purchase of equipment	(404)	(8,888)	(9,292)	(82,544)
Net cash used by capital and related financing activities	(183)	(8,888)	(9,071)	(69,560)
Cash flows from investing activities				
Investments in short-term certificates of deposit	16,524	37,775	54,299	25,178
Receipt of interest	3,895	9,839	13,734	7,283
Net cash provided by investing activities	20,419	47,614	68,033	32,461
Net decrease in cash and cash equivalents	(13,224)	(36,974)	(50,198)	(28,029)
Cash and cash equivalents - beginning of year	25,033	72,021	97,054	56,225
Prior period adjustment - receipt of interest	1,284	3,748	5,032	2,603
Cash and cash equivalents - beginning of year as restated	26,317	75,769	102,086	58,828
Cash and cash equivalents - end of year	\$ 13,093	\$ 38,795	\$ 51,888	\$ 30,799

See Accompanying Notes To Financial Statements

City of Parchment, Michigan
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating loss	\$ (32,223)	\$ (27,263)	\$ (59,486)	\$ (4,024)
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	22,645	47,406	70,051	14,223
(Increase) decrease in:				
Accounts receivable	18,242	14,194	32,436	-
Interest receivable	(3,308)	(406)	(3,714)	(415)
Inventory	-	-	-	173
Due from other funds	15	5,840	5,855	-
Increase (decrease) in:				
Accounts payable	(8,896)	(85,946)	(94,842)	411
Accrued liabilities	251	238	489	66
Accrued fringes	114	252	366	136
Due to other funds	(30,300)	(30,015)	(60,315)	(1,500)
Net cash provided (used) by operating activities	<u>\$ (33,460)</u>	<u>\$ (75,700)</u>	<u>\$ (109,160)</u>	<u>\$ 9,070</u>

See Accompanying Notes To Financial Statements

City of Parchment, Michigan
Statement of Fiduciary Assets and Liabilities
June 30, 2004

	Agency Funds
Assets	
Cash	\$ 13,717
Investments	113,118
Interest receivable	266
Due from others	<u>8,640</u>
Total assets	\$ <u><u>135,741</u></u>
Liabilities	
Accounts payable	54,776
Due to others	<u>80,965</u>
Total liabilities	\$ <u><u>135,741</u></u>

See Accompanying Notes to Financial Statements

City of Parchment
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Parchment conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

Reporting entity

The City of Parchment was incorporated in 1939 and is located in Kalamazoo County, Michigan. The City of Parchment is governed by an elected seven member City Commission, elected by the community at large. This legislative body selects, from among its members, the Mayor, and appoints a City Manager to administer the affairs of the City. The City provides the following services to its residents as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture – recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component units

A discretely presented component unit is an entity that is legally separate from the City, but for which the unit is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. They are presented within the "component unit" column of the government-wide financial statements.

Downtown Development Authority (DDA) – The members of the governing board are appointed by the City Commission. The Authority's budget is subject to approval by the City Commission. DDA does not issue any other form of financial statements except as

City of Parchment
Notes to Financial Statements
June 30, 2004

contained in the City of Parchment annual financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major and Local Street Funds account for the resources of state gas and weight tax revenue that are restricted for use on Major and Local Streets.

The City reports the following Major Proprietary Funds:

- The Sewer Fund accounts for the cost of collection and treating waste waters.
- The Water Fund accounts for the costs of providing water services to City residents.

Additionally, the City reports the following:

Internal Service Funds – The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the City on a cost reimbursement basis.

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

City of Parchment
Notes to Financial Statements
June 30, 2004

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for water sales and services, sewage disposal, park and harbor fees and charges. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year and are due without penalty on or before August 14. These summer tax bills include the City's own property taxes and taxes billed on behalf of

the Parchment school district, the intermediate school district, and Kalamazoo Valley Community College. Real property taxes not collected, but deemed collectable, as of March 1, are turned over to Kalamazoo County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. The City acts as a collection agent for Kalamazoo County and the Parchment Community Library for winter property taxes.

The City collects a 1% property tax administration fee.

The 2003 taxable valuation of the City of Parchment is \$40,192,026 on which ad valorem taxes levy consisted of 16.6772 mills for operating purposes. This resulted in \$580 thousand for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. This amount is recognized in the General fund financial statements as tax revenue.

Assets, liabilities and net assets or equity

Cash and investments – The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Investments are stated at fair value, (quoted market price or the best available estimate).

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to

City of Parchment
Notes to Financial Statements
June 30, 2004

as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Real property taxes are considered delinquent on August 15th, at which time penalties and interest are assessed. Real property taxes not collected, but deemed collectible are turned over to Kalamazoo County for collection as of March 1st of the following year. Kalamazoo County advances the City 100% for the delinquent taxes as the County maintains a revolving tax fund to finance delinquent real property taxes for local units.

Inventories and prepaid items – Inventories consist primarily of supplies in the proprietary funds. Inventories are recognized as an asset in the proprietary fund types. Inventory is valued at the lower of cost (first in, first out) or market.

Inventories in the governmental fund types are insignificant and are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City began recording governmental infrastructure constructed on or after July 1, 2003 as allowed by GASB 34.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Building and building improvements	50 to 60 years
Utility systems	25 to 100 years
Road	20 years
Other infrastructure	15 to 25 years
Vehicles	5 to 20 years
Heavy duty equipment	20 to 40 years
Machinery and equipment	5 to 25 years

Compensated absences – The City of Parchment provides full-time employees with vacation benefits as follows: after one year of continuous employment - one week vacation; two years - two weeks; five years - three weeks; fifteen years - four weeks; twenty-five years – five weeks. If not used, the employee may carryover, with City Manager approval, two weeks of vacation to future years. Upon termination, accrued vacation benefits are paid at the employee's current salary. Accrued vacation at June 30, 2004, amounted to \$20,715 and is recorded as a General Fund liability.

The City of Parchment provides full-time employees with one sick day for each month worked. If not used, sick days may accumulate to a maximum of one hundred five (105) days to be carried forward to future years. If an employee quits or is discharged, any unused accumulation of paid sick leave is to be canceled. Upon normal retirement, medical retirement or death of an employee, the employee or beneficiary is paid 50% of sick leave accumulation at such time. At June 30, 2004, employee accumulated sick days equaled 634 days representing approximately \$93,718 total liability, of which \$46,859 represents a contingent liability (at current pay rates), and is reported in the government-wide financial statements.

City of Parchment
Notes to Financial Statements
June 30, 2004

Long-term obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the City's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Fund deficit

The City has accumulated a net assets deficit in the Downtown Development Authority (DDA) Fund. The deficit is a result of bonds that were issued in 1997. The proceeds of these bonds were used to purchase infrastructure assets. As allowed by GASB 34, the City has chosen to capitalize infrastructure assets prospectively, and to not go back and capitalize infrastructure assets from prior periods.

Expenditure budget overruns

Significant expenditure budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public works	\$227,314	\$255,510	\$ 28,196
Recreation & Culture	102,594	107,909	5,315

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated five banks for deposit of local unit funds. The investment policy adopted by the Commission authorized all of the investments allowable under Michigan law.

The City of Parchment deposits and investment policy are in accordance with statutory authority.

City of Parchment
Notes to Financial Statements
June 30, 2004

At yearend, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Investments
Governmental activities	\$ 134,096	\$ 1,125,411
Business-type activities	51,894	436,244
Fiduciary Funds	<u>13,717</u>	<u>113,118</u>
Total primary government	199,707	1,674,773
Component unit	<u>19,750</u>	<u>166,326</u>
Total	<u>\$ 219,457</u>	<u>\$ 1,841,099</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 1,152,829	\$ 114,427
Investments in securities and similar vehicles	721,451	71,649
Petty cash and cash on hand	<u>200</u>	<u>-</u>
Total	<u>\$ 1,874,480</u>	<u>\$ 186,076</u>

Deposits

At yearend, the carrying amount of the City's and its component units' deposits with financial institutions was \$1,267,256, of which \$219,257 is reported as cash and cash equivalents, and \$1,047,999 is reported as investments which are certificates of deposit which mature in greater than three months. At yearend, the bank balance was \$1,271,271. Of the bank balance, \$1,207,514 was covered by federal depository insurance and \$63,757 was uninsured and uncollateralized. Since the component unit participates in the City's common cash, the federal depository insurance is not specifically

allocated to their balance.

Investments

City investments can be classified into three categories to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agency in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The City's investments of \$793,100 are U.S. government obligations which are not categorized because they are not evidenced by securities that are in physical or book entry form.

NOTE 4 - RECEIVABLES

Receivables as of yearend for the government's individual major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sewer	Water	Total	Component Unit
Taxes receivable	\$ 27,249	\$ -	\$ -	\$ 27,249	\$ 38,859
Accounts	87,030	46,536	62,837	196,403	-
Interest and other	<u>2,003</u>	<u>4,155</u>	<u>2,525</u>	<u>8,683</u>	<u>-</u>
Gross receivables	<u>\$ 116,282</u>	<u>\$ 50,691</u>	<u>\$ 65,362</u>	<u>\$ 232,335</u>	<u>\$ 38,859</u>
Due within one year	\$ 116,282	\$ 50,691	\$ 65,362	\$ 232,335	\$ 38,859
Due after one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 116,282</u>	<u>\$ 50,691</u>	<u>\$ 65,362</u>	<u>\$ 232,335</u>	<u>\$ 38,859</u>

City of Parchment
Notes to Financial Statements
June 30, 2004

The allowance for all receivables at yearend is zero, because all are expected to be collected.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
State shared revenue	\$ 37,428	\$ -
Total	<u>\$ 37,428</u>	<u>\$ -</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,303,688	\$ -	\$ -	\$ 1,303,688
Capital assets being depreciated				
Buildings	270,082	-	-	270,082
Machinery and equipment	1,112,430	283,232	56,859	1,338,803
Roads	-	318,181	-	318,181
Capital assets being depreciated	<u>1,382,512</u>	<u>601,413</u>	<u>56,859</u>	<u>1,927,066</u>
Less accumulated depreciation for				
Buildings	161,931	5,402	-	167,333
Machinery and equipment	842,450	59,878	56,501	845,827
Roads	-	6,728	-	6,728
Accumulated depreciation	<u>1,004,381</u>	<u>72,008</u>	<u>56,501</u>	<u>1,019,888</u>
Net capital assets being depreciated	<u>378,131</u>	<u>529,405</u>	<u>358</u>	<u>907,178</u>
Governmental activities capital assets, net	<u>\$ 1,681,819</u>	<u>\$ 529,405</u>	<u>\$ 358</u>	<u>\$ 2,210,866</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets being depreciated				
Buildings	269,184	-	-	269,184
Improvements other than buildings	13,647	-	-	13,647
Machinery and equipment	1,015,325	9,293	-	1,024,618
Distribution and collection systems	<u>1,539,768</u>	<u>-</u>	<u>-</u>	<u>1,539,768</u>
Capital assets being depreciated	<u>2,837,924</u>	<u>9,293</u>	<u>-</u>	<u>2,847,217</u>
Less accumulated depreciation for				
Buildings	103,733	5,736	-	109,469
Improvements other than buildings	2,668	342	-	3,010
Machinery and equipment	661,297	38,926	-	700,223
Distribution and collection systems	<u>627,198</u>	<u>25,047</u>	<u>-</u>	<u>652,245</u>
Accumulated depreciation	<u>1,394,896</u>	<u>70,051</u>	<u>-</u>	<u>1,464,947</u>
Net capital assets being depreciated	<u>1,443,028</u>	<u>(60,758)</u>	<u>-</u>	<u>1,382,270</u>
Business-type capital assets, net	<u>\$ 1,450,028</u>	<u>\$ (60,758)</u>	<u>\$ -</u>	<u>\$ 1,389,270</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets being depreciated				
Machinery and equipment	\$ 7,977	\$ -	\$ -	\$ 7,977
Capital assets being depreciated	<u>7,977</u>	<u>-</u>	<u>-</u>	<u>7,977</u>
Less accumulated depreciation for				
Machinery and equipment	665	798	-	1,462
Accumulated depreciation	<u>665</u>	<u>798</u>	<u>-</u>	<u>1,462</u>
Net capital assets being depreciated	<u>7,312</u>	<u>(798)</u>	<u>-</u>	<u>6,514</u>
Component unit capital assets, net	<u>\$ 7,312</u>	<u>\$ (798)</u>	<u>\$ -</u>	<u>\$ 6,514</u>

City of Parchment
Notes to Financial Statements
June 30, 2004

Depreciation expense was charged to programs of the primary government as follows:

Government activities

General government	\$ 12,579
Public safety	26,695
Public works	16,417
Recreation and culture	2,094
Internal service fund depreciation is charged to the various functions based on usage of the assets	<u>14,223</u>
Total governmental activities	<u>\$ 72,008</u>

Business-type activities

Water	\$ 47,406
Sewer	<u>22,645</u>
Total business-type activities	<u>\$ 70,051</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, TRANSFERS

The composition of interfund balances is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Local Street	General Fund	<u>\$ 21,473</u>	Transfer required by Act 51

Interfund transfers

Transfers (Out)		
	<u>General Fund</u>	<u>Purpose</u>
Transfers In		
Local Street Fund	<u>\$ 21,473</u>	Transfer required by Act 51

City of Parchment
Notes to Financial Statements
June 30, 2004

NOTE 7 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity is summarized as follows:

	Maturity Dates	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities								
Capitalized lease - digital copier	7/1/07	26.2%	\$3,499	\$ -	\$ 17,495	\$ 3,499	\$ 13,996	\$ 3,499
Compensated absences				42,453	4,406	-	46,859	-
				<u>\$ 42,453</u>	<u>\$ 21,901</u>	<u>\$ 3,499</u>	<u>\$ 60,855</u>	<u>\$ 3,499</u>
Component unit								
General obligation limited tax bonds	4/1/11	5.00-5.30%	\$140,000-\$225,000	<u>\$ 1,325,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ 1,185,000</u>	<u>\$ 140,000</u>

Annual debt service requirements to maturity for the above bond obligations are as follows:

Year Ended June 30	Component Unit	
	Principal	Interest
2005	\$ 140,000	\$ 64,270
2006	165,000	57,130
2007	160,000	48,550
2008	160,000	40,070
2009	155,000	31,430
2010-2011	<u>405,000</u>	<u>35,732</u>
Total	<u>\$ 1,185,000</u>	<u>\$ 277,182</u>

City of Parchment
Notes to Financial Statements
June 30, 2004

Capital leases

The government has entered into a lease agreement as lessee for financing the purchase of a digital copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payment as of the inception date. The future minimum lease obligations and the net present value are as follows:

Year Ended June 30	
2005	\$ 3,499
2006	3,499
2007	3,499
2008	3,499
Total minimum lease payments	13,996
Less: amount representing interest	5,908
Present value	<u>\$ 8,088</u>

The asset acquired through a capital lease is as follows:

Asset:	
Machinery and equipment	\$ 17,495
Less: accumulated depreciation	<u>(1,749)</u>
Total	<u>\$ 15,746</u>

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City of Parchment has purchased commercial insurance for death and disability, hospitalization and life claims, and is a member of the Michigan Municipal League Liability and Property Pool for claims

relating to liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City participates in the Michigan Municipal workers compensations fund risk pool for the purpose of its workers compensation coverage.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan
(Michigan Municipal Employees' Retirement System)

Plan Description – The City has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees' Retirement System (MERS), which is a cost-sharing-agent multiple-employer retirement system. MERS provides retirement, disability, and death benefits. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires City employees to contribute 4.7% of their annual compensation. The City is required to contribute the remaining amounts necessary to fund MERS, using the actuarial basis specified by statute.

City of Parchment
Notes to Financial Statements
June 30, 2004

Annual Pension Costs – For the year ended June 30, 2004, the City's annual pension cost of \$21,888 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that there will be a one time benefit increase of 2.0% at retirement.

The unfunded actuarial liability is being amortized as a level percent of payroll over a period of 30 years.

During the year ended December 31, 2003, the plan experienced an increase of \$52,087 in the net pension obligation. The combined change in the net pension obligation resulting from benefit changes, if any, and revisions in actuarial assumptions is \$0.

Trend Information – Three year trend information as of December 31, 2003 follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Annual pension cost	\$ 21,888	\$ 18,490	\$ 13,994
Percentage of APC contributed	100%	100%	100%
Net pension obligation	84,221	32,134	(470,347)
Actuarial Value of Assets	1,956,021	1,904,301	1,931,318
Actuarial Accrued Liability	2,040,242	1,936,435	1,460,971
Unfunded AAL	84,221	32,134	(470,347)
Funded Ratio	96%	98%	132%
Covered Payroll	453,158	440,377	424,718
UAAL as a Percentage of Covered Payroll	19%	7%	0%

NOTE 10 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Voluntary employee contributions for the year ended June 30, 2004 were \$21,487.

NOTE 11 - BUILDING PERMITS

The City collects a fee for generating building permits for commercial and residential construction projects. An outside contractor performs the work for the City. The City remits 100% of the fees generated to the outside contractor in addition to an administrative fee.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in the General Fund, the Major Street Fund, the Local Street Fund, the Downtown Development Authority Fund, the Water Fund, the Sewer Fund, and the Internal Service Fund to record a cash account that existed in the prior year but was not recorded in the financial statements. Interest income in these funds was reduced and fund balances in these funds were increased by \$23,180.

City of Parchment
Notes to Financial Statements
June 30, 2004

NOTE 13 - COMMITMENTS

Prior to June 30, 2004, the City Commission committed to the following, which is shown as designated fund balances in the General Fund at June 30, 2004: fire camera for \$12,931.

Prior to June 30, 2004, the City Commission committed to the following, which is shown as restricted fund balances in the General Fund at June 30, 2004: fire truck for \$38,345. The City is obligated to purchase the fire truck by an outside source.

NOTE 14 - CONTINGENCIES

The City is a defendant in a lawsuit filed by an organization for allegedly refusing to sell this organization property owned by the city. The suit asks for damages in the range of \$500,000 to \$600,000. The City has filed a Motion for Summary Disposition requesting the court to dismiss the case in its entirety. The City believes that, should this matter go to trial, the City will receive a verdict in its favor of no cause of action.

NOTE 15 - ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The City of Parchment has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The City has elected to implement both the general provisions of the statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, etc.) not previously accounted for by the City as well as assets totaling approximately \$2,440,473 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$820,824 to reflect the historical cost and accumulated depreciation of the City's capital assets at that date.
- The governmental activities column includes other long-term obligations totaling \$42,453 previously reported in the General Long-Term Debt Account Group. The component unit column includes bond obligations totaling \$1,325,000 previously reported in the General Long-Term Debt Account Group.

City of Parchment, Michigan
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 630,100	\$ 630,100	\$ 602,476	\$ (27,624)
Licenses and permits	82,800	82,800	103,232	20,432
State grants	226,043	226,043	375,531	149,488
Charges for services	1,320	1,320	7,687	6,367
Fines and forfeitures	22,200	22,200	16,961	(5,239)
Interest	30,000	30,000	27,508	(2,492)
Other revenue	65,000	65,000	84,121	19,121
Total revenues	<u>1,057,463</u>	<u>1,057,463</u>	<u>1,217,516</u>	<u>160,053</u>
Expenditures				
General government	460,361	598,934	463,552	(135,382)
Public safety	499,446	586,101	537,823	(48,278)
Public works	217,294	227,314	255,510	28,196
Recreation and cultural	102,594	102,594	107,909	5,315
Total expenditures	<u>1,279,695</u>	<u>1,514,943</u>	<u>1,364,794</u>	<u>(150,149)</u>
Excess (deficiency) of revenues over expenditures	(222,232)	(457,480)	(147,278)	310,202
Other financing (uses)				
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(21,473)</u>	<u>21,473</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(222,232)</u>	<u>(457,480)</u>	<u>(168,751)</u>	<u>288,729</u>
Fund balance - beginning of year as previously reported	882,929	882,929	882,929	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>13,045</u>	<u>13,045</u>
Fund balance - beginning of year as restated	<u>882,929</u>	<u>882,929</u>	<u>895,974</u>	<u>13,045</u>
Fund balance - end of year	<u>\$ 660,697</u>	<u>\$ 425,449</u>	<u>\$ 727,223</u>	<u>\$ 301,774</u>

City of Parchment, Michigan
Required Supplemental Information
Budgetary Comparison Schedule - Major Street Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State grants	\$ 89,800	\$ 95,220	\$ 95,820	\$ 600
Interest	1,500	4,000	4,039	39
Total revenues	<u>91,300</u>	<u>99,220</u>	<u>99,859</u>	<u>639</u>
Expenditures				
Construction	56,400	56,400	47,420	(8,980)
Routine maintenance	12,147	12,147	7,302	(4,845)
Traffic services	5,964	5,964	4,786	(1,178)
Winter maintenance	17,435	17,435	13,006	(4,429)
Administration	<u>7,274</u>	<u>7,274</u>	<u>7,689</u>	<u>415</u>
Total expenditures	<u>99,220</u>	<u>99,220</u>	<u>80,203</u>	<u>(19,017)</u>
Excess of revenues over expenditures	<u>(7,920)</u>	<u>-</u>	<u>19,656</u>	<u>19,656</u>
Fund balance - beginning of year	182,063	182,063	190,225	8,162
Prior period adjustment	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>1,700</u>
Fund balance - as restated	<u>182,063</u>	<u>182,063</u>	<u>191,925</u>	<u>9,862</u>
Fund balance - end of year	<u>\$ 182,063</u>	<u>\$ 182,063</u>	<u>\$ 211,581</u>	<u>\$ 29,518</u>

City of Parchment, Michigan
Required Supplemental Information
Budgetary Comparison Schedule - Local Street Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State grants	\$ 35,800	\$ 37,700	\$ 38,270	\$ 570
Interest	1,000	1,500	589	(911)
Total revenues	<u>36,800</u>	<u>39,200</u>	<u>38,859</u>	<u>(341)</u>
Expenditures				
Routine maintenance	14,495	14,495	15,586	1,091
Traffic services	2,374	2,374	1,207	(1,167)
Winter maintenance	15,195	15,195	12,961	(2,234)
Administration	6,774	6,774	7,190	416
Total expenditures	<u>38,838</u>	<u>38,838</u>	<u>36,944</u>	<u>(1,894)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,038)</u>	<u>362</u>	<u>1,915</u>	<u>1,553</u>
Other financing sources				
Operating transfers in	-	-	21,473	21,473
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(2,038)</u>	<u>362</u>	<u>23,388</u>	<u>23,026</u>
Fund balance - beginning of year	58,851	58,851	58,851	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>416</u>	<u>416</u>
Fund balance - as restated	<u>58,851</u>	<u>58,851</u>	<u>59,267</u>	<u>416</u>
Fund balance - end of year	<u>\$ 56,813</u>	<u>\$ 59,213</u>	<u>\$ 82,655</u>	<u>\$ 23,442</u>

City of Parchment, Michigan
Other Supplemental Information
Statement of Revenues Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Taxes				
Current property taxes	\$ 608,800	\$ 608,800	\$ 578,014	\$ (30,786)
Penalty on taxes	1,300	1,300	2,882	1,582
Collection fees	20,000	20,000	21,580	1,580
Total taxes	<u>630,100</u>	<u>630,100</u>	<u>602,476</u>	<u>(27,624)</u>
Licenses and permits				
Licenses and fees	14,000	14,000	17,646	3,646
Cablevision fees	13,500	13,500	13,342	(158)
Recreation fees	2,500	2,500	2,540	40
Solid waste collection fees	52,800	52,800	69,704	16,904
Total licenses and permits	<u>82,800</u>	<u>82,800</u>	<u>103,232</u>	<u>20,432</u>
State grants				
Grants	1,850	1,850	177,818	175,968
Sales tax	224,193	224,193	197,713	(26,480)
Total state grants	<u>226,043</u>	<u>226,043</u>	<u>375,531</u>	<u>149,488</u>
Charges for services				
Police/fire reports	320	320	242	(78)
Services rendered	1,000	1,000	7,445	6,445
Total charges for services	<u>1,320</u>	<u>1,320</u>	<u>7,687</u>	<u>6,367</u>
Fines and forfeitures				
Parking violations	3,000	3,000	1,650	(1,350)
Traffic fines	17,600	17,600	11,732	(5,868)
Ordinance fines	1,600	1,600	3,579	1,979
Total fines and forfeitures	<u>22,200</u>	<u>22,200</u>	<u>16,961</u>	<u>(5,239)</u>
Interest				
Interest on investments	30,000	30,000	27,508	(2,492)
Other revenue				
Reimbursement for overhead	65,000	65,000	65,000	-
Miscellaneous	-	-	19,121	19,121
Total other revenue	<u>65,000</u>	<u>65,000</u>	<u>84,121</u>	<u>19,121</u>
Total revenues	<u>\$ 1,057,463</u>	<u>\$ 1,057,463</u>	<u>\$ 1,217,516</u>	<u>\$ 160,053</u>

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
General government				
Administrative				
Salaries and wages	\$ 150,183	\$ 150,183	\$ 139,238	\$ (10,945)
Social security	9,226	9,226	9,357	131
Hospital and life insurance	29,298	29,298	36,658	7,360
Pension	2,834	2,834	1,824	(1,010)
Worker's compensation	1,400	1,400	1,260	(140)
Medicare	2,158	2,158	2,188	30
Retirement	4,500	4,500	4,728	228
Operating supplies	5,000	5,000	4,887	(113)
Postage	3,500	3,500	2,307	(1,193)
Repair and maintenance - supplies	900	900	851	(49)
Professional and contractual services	8,000	8,000	10,024	2,024
Computer services	7,000	7,000	5,436	(1,564)
Membership and dues	1,300	1,300	1,118	(182)
Communications	6,000	6,000	4,590	(1,410)
Institutes and training	3,000	3,000	2,195	(805)
Printing and publishing	2,500	2,500	2,276	(224)
Insurance and bonds	9,700	9,700	11,039	1,339
Utilities	3,000	3,000	3,181	181
Repairs and maintenance - contractors	5,000	5,000	8,689	3,689
Miscellaneous	100	100	-	(100)
Capital outlay	9,000	9,000	10,998	1,998
Total administrative	<u>263,599</u>	<u>263,599</u>	<u>262,844</u>	<u>(755)</u>

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Legislative				
Salaries and wages	\$ 7,000	\$ 7,000	\$ 6,390	\$ (610)
Social security	435	435	396	(39)
Medicare	10	10	93	83
Workers compensation	17	17	263	246
Professional and contractual services	182,500	321,073	187,269	(133,804)
Operating supplies	200	200	156	(44)
Memberships and dues	2,000	2,000	2,970	970
Institute and training	3,000	3,000	2,503	(497)
Community promotion	1,500	1,500	648	(852)
Miscellaneous	100	100	20	(80)
Total legislative	196,762	335,335	200,708	(134,627)
Total general government	460,361	598,934	463,552	(135,382)

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public safety				
Police				
Salaries and wages	\$ 198,701	\$ 198,701	\$ 192,944	\$ (5,757)
Social security	12,009	12,009	11,835	(174)
Hospital and life insurance	48,742	48,742	43,171	(5,571)
Pension	12,058	12,058	8,057	(4,001)
Worker's compensation	4,900	4,900	4,413	(487)
Medicare	2,800	2,800	2,768	(32)
Operating supplies	5,850	5,850	4,053	(1,797)
Gasoline and oil	5,500	5,500	6,124	624
Safety supplies	150	150	30	(120)
Professional and contractual services	9,000	9,000	7,067	(1,933)
Membership dues	200	200	100	(100)
Communications	3,000	3,000	3,228	228
Institutes and training	2,600	2,600	523	(2,077)
Insurance and bonds	13,200	13,200	14,958	1,758
Utilities	600	600	628	28
Repairs and maintenance - contractors	5,100	5,100	5,050	(50)
Miscellaneous	150	150	-	(150)
Capital outlay	28,900	28,900	25,965	(2,935)
Total police	<u>353,460</u>	<u>353,460</u>	<u>330,914</u>	<u>(22,546)</u>

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Public safety (continued)				
Fire				
Salaries and wages	\$ 48,000	\$ 48,000	\$ 30,320	\$ (17,680)
Social security	3,000	3,000	1,976	(1,024)
Hospital and life insurance	-	-	841	841
Life insurance	1,500	1,500	1,087	(413)
Worker's compensation	2,400	2,400	1,196	(1,204)
Medicare	700	700	462	(238)
Operating supplies	7,000	7,000	554	(6,446)
Gasoline and oil	360	360	280	(80)
Repairs and maintenance - supplies	1,000	1,000	274	(726)
Safety supplies	100	100	138	38
Professional and contractual services	2,000	2,000	5,307	3,307
Memberships and dues	400	400	330	(70)
Communications	3,486	3,486	2,640	(846)
Institutes and training	2,400	2,400	1,091	(1,309)
Insurance and bonds	7,100	7,100	6,642	(458)
Utilities	2,000	2,000	1,962	(38)
Repairs and maintenance - contractors	8,700	8,700	4,018	(4,682)
Hydrant rental	5,840	5,840	5,840	-
Capital outlay	50,000	136,655	141,951	5,296
Total fire	145,986	232,641	206,909	(25,732)
Total public safety	499,446	586,101	537,823	(48,278)

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Salaries and wages	\$ 52,500	\$ 52,500	\$ 66,255	\$ 13,755
Social security	3,255	3,255	4,042	787
Hospital and life insurance	18,979	18,979	26,158	7,179
Pension	1,700	1,700	1,133	(567)
Worker's compensation	1,630	1,630	1,568	(62)
Medicare	760	760	945	185
Operating supplies	150	150	127	(23)
Repairs and maintenance - supplies	5,000	5,000	2,114	(2,886)
Safety supplies	300	300	70	(230)
Professional and contractual services	10,000	10,000	1,682	(8,318)
Rubbish collection service	52,800	52,800	66,280	13,480
Metro-Transit bus service	7,000	7,000	9,138	2,138
Uniform rental	1,200	1,200	1,441	241
Membership dues	120	120	-	(120)
Communications	2,600	2,600	2,811	211
Institutes and training	300	300	115	(185)
Community promotion	1,000	1,000	509	(491)
Insurance and bonds	2,500	2,500	3,034	534
Utilities	5,500	5,500	5,897	397
Street lighting	25,000	25,000	26,411	1,411
Repairs and maintenance - contractors	5,000	15,020	14,115	(905)
Rentals	20,000	20,000	21,665	1,665
Total public works	217,294	227,314	255,510	28,196

City of Parchment, Michigan
Other Supplemental Information
Statement of Expenditures Compared to Budget - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Recreation and cultural				
Salaries and wages	\$ 40,000	\$ 40,000	\$ 44,181	\$ 4,181
Social security	2,480	2,480	2,682	202
Hospital and life insurance	9,634	9,634	11,995	2,361
Pension	850	850	861	11
Worker's compensation	900	900	937	37
Medicare	580	580	627	47
Repairs and maintenance - supplies	6,000	6,000	7,592	1,592
Professional and contractual services	1,000	1,000	-	(1,000)
Safety supplies	150	150	-	(150)
Insurance and bonds	2,500	2,500	2,981	481
Utilities	5,500	5,500	4,525	(975)
Repairs and maintenance - contractors	3,000	3,000	2,263	(737)
Rentals	30,000	30,000	29,265	(735)
Total recreation and cultural	<u>102,594</u>	<u>102,594</u>	<u>107,909</u>	<u>5,315</u>
Total expenditures	<u>\$ 1,279,695</u>	<u>\$ 1,514,943</u>	<u>\$ 1,364,794</u>	<u>\$ (150,149)</u>

City of Parchment, Michigan
Other Supplemental Information
Budgetary Comparison Schedule - Component Unit - Downtown Development Authority
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 333,534	\$ 333,534	\$ 343,345	\$ 9,811
Interest	685	685	3,343	2,658
Miscellaneous	-	-	18,815	18,815
Total revenues	<u>334,219</u>	<u>334,219</u>	<u>365,503</u>	<u>31,284</u>
Expenditures				
Professional services	275	275	44,640	44,365
Repairs and maintenance	135,000	239,095	185,327	(53,768)
Debt service				
Principal	140,000	140,000	140,000	-
Interest	71,270	71,270	71,270	-
Total expenditures	<u>346,545</u>	<u>450,640</u>	<u>441,237</u>	<u>(9,403)</u>
Excess of revenues over expenditures	(12,326)	(116,421)	(75,734)	40,687
Fund balance - beginning of year as previously reported	245,178	245,178	245,178	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>383</u>	<u>383</u>
Fund balance - beginning of year as restated	<u>245,178</u>	<u>245,178</u>	<u>245,561</u>	<u>383</u>
Fund balance - end of year	<u>\$ 232,852</u>	<u>\$ 128,757</u>	<u>\$ 169,827</u>	<u>\$ 41,070</u>

City of Parchment
Other Supplemental Information
Schedule of Indebtedness
June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Outstanding June 30, 2004</u>
Governmental Activities				
2003 lease purchase agreement - Sharp Digital Copier				
Date of agreement : July 1, 2003				
Amount of lease payable: \$17,495				
Yearly payments of \$3,499	26.2 %	07/01/04-07	\$ 3,499	\$ <u>13,996</u>
				<u>13,996</u>
Compensated absences				<u>46,859</u>
Total governmental activities				<u>60,855</u>
Component Unit				
General Obligation Limited Tax Bonds, Series 1991				
Downtown Development Bonds				
Date of issue 2/27/97: amount of issue \$ 1,660,000	5.0	04/01/05	140,000	140,000
	5.1	04/01/06	165,000	165,000
	5.1	04/01/07-08	160,000	320,000
	5.2	04/01/09	155,000	155,000
	5.2	04/01/10	180,000	180,000
	5.3	04/01/11	225,000	<u>225,000</u>
Total component unit				<u>1,185,000</u>
Total indebtedness				\$ <u><u>1,245,855</u></u>